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C O N F I D E N T I A L RANGOON 000249

SIPDIS

STATE FOR EAP/BCLTV, EB  
BEIJING PASS CHENGDU  
COMMERCE FOR ITA JEAN KELLY  
TREASURY FOR OASIA JEFF NEIL  
USPACOM FOR FPA

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TAGS: [EFIN](#) [ECON](#) [BM](#)

SUBJECT: CHINESE BANKS ARE GOATS, BUT WON'T BE SLAUGHTERED

REF: A. RANGOON 236

[B](#). RANGOON 235

[C](#). RANGOON 225

[D](#). RANGOON 214

[E](#). RANGOON 213

[F](#). RANGOON 30

Classified By: COM Carmen Martinez for Reasons 1.5 (B,D)

[1](#)1. (C) Summary: Mounting public frustration with the country's disgraced, largely Chinese-owned, private banks has led to fears among the Chinese business community and others of an anti-Chinese backlash. Though this remains a possibility, particularly if SPDC decides it needs a convenient scapegoat, the vast majority of depositors appear thus far more inclined to blame the SPDC, rather than the Chinese, for their troubles. End summary.

#### Chinese Dominance in Banking Sector

[1](#)2. (C) There is no denying the Chinese dominance in the banking sector. Of the nation's twenty private banks, only eight are actually owned and operated by private citizens (as opposed to various government ministries or the military's economic arms). Of these eight privately held private banks, six of them have chairmen or primary owners of Chinese descent. Of the odd banks out, one is run by a Shan crony of Senior General Than Shwe, the other by a Burman.

[1](#)3. (C) The Chinese were less prominent in the recently imploded informal financial institutions as, in those, Burmans and Muslims also played a large role. Of the 16-17 shadow banks whose ownership we have been able to trace, only four were Chinese or ethnic Chinese Burmese. Four were Indian or Muslim, and the rest Burman.

#### Finger Pointing

[1](#)4. (C) There is some concern (particularly in the Chinese business community) that the dominance of ethnic Chinese in the disgraced banking sector will trigger public resentment against the Chinese population. There is some history of this, with anti-Chinese riots occurring in the 1960s. Indeed, it is not outside the SPDC's bag of tricks to try and divert political discontent caused by its bungling of the banking crisis, by surreptitiously feeding the notion that the "conniving" Chinese are to blame.

[1](#)5. (C) However, barring some obvious act of provocation, we don't think this is likely. Commentators here tell us that while people may have lost faith in the banks, most don't connect their downfall with the ethnicity of their ownership. However, the problem may be that people here, consciously or unconsciously, factor ethnicity into their calculations about the probability of a GOB rescue. In any case, the banks hardest hit by withdrawals (AWB, Yoma, MUB, MOB, and Mayflower) have by and large been owned or managed by ethnic Chinese banks. Finally, the possibility of ethnic strife remains in the back of many minds. As one economic journalist warned us, because of residual anti-Chinese sentiment among Burmans, it would not be too difficult to stir up ethnic-derived conflict.

[1](#)6. (C) That all said, our feeling so far is that the public's ire will fall squarely on the ruling junta. After enduring fifteen years of economic mismanagement and political oppression by the SLORC/SPDC regime, the public (at least in Rangoon) is primed to blame its daily woes on the junta. In the meantime, the ethnic Chinese chairmen and management of the private banks are bending over backward to regain their customers trust -- through notices, advertising, and efforts to explain the situation and fairly disburse available funds. Provided these bankers are not caught up in some new scandal, they should be able to avoid any undue blame for the current crisis.  
Martinez